



# Iowa Department of Human Services

Terry E. Branstad  
Governor

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Director

## INFORMATIONAL LETTER NO.1695-MC

**DATE:** July 15, 2016

**TO:** Iowa Medicaid Community Mental Health Centers (CMHC), Nursing Facilities (NF), Skilled Nursing Facilities (SNF), Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/ID), Home- and Community-Based Waiver (HCBS) Service, Case Management (CM), Targeted Case Management (TCM), Hospitals, Federally Qualified Health Centers (FQHC), Rural Health Clinics (RHC), Home Health Agencies (HHA) and Managed Care Organizations (MCOs)

**FROM:** Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

**RE:** Cost Reporting Requirements and Medicaid Fee-For-Service (FFS) Cost Settlement

**EFFECTIVE:** Immediately

The Iowa (IA) Health Link managed care program started on April 1, 2016. Informational Letters (ILs) [1562-MC](#)<sup>1</sup>, [1577-MC](#)<sup>2</sup>, and [1578-MC](#)<sup>3</sup> notified providers of the MCO rate floor methodologies. This letter will provide an update and clarification regarding Medicaid cost report submission requirements and usage as a result of this transition.

### **Submission of Medicaid Cost Reports**

Iowa Medicaid providers that were required to submit cost reports prior to the IA Health Link managed care program transition are required to continue to submit reports in accordance with applicable rules under 441 Iowa Administrative Code. The cost report submission requirements will not change, until a change is directed by the legislature and/or changes are made to 441 Iowa Administrative Code.

Medicaid FFS claims will be paid at the current rate methodologies according to applicable rules under 441 Iowa Administrative Code. Medicaid cost reports will continue to be reviewed and will be used to establish rates and calculate retrospective settlement amounts for Medicaid FFS claims.

### **Reporting of Cost on the Medicaid Cost Report**

When completing the cost report, all revenue and cost from the general ledger and working trial balance should be reported along with the applicable units of service provided. The units

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<sup>1</sup> [https://dhs.iowa.gov/sites/default/files/1562\\_ManagedCareOrganizationProviderReimbursementRateFloors.pdf](https://dhs.iowa.gov/sites/default/files/1562_ManagedCareOrganizationProviderReimbursementRateFloors.pdf)

<sup>2</sup> [https://dhs.iowa.gov/sites/default/files/1577-MC\\_MCRateFloors\\_PrivateDutyNursing\\_PersonalCareServices.pdf](https://dhs.iowa.gov/sites/default/files/1577-MC_MCRateFloors_PrivateDutyNursing_PersonalCareServices.pdf)

<sup>3</sup> [https://dhs.iowa.gov/sites/default/files/1578-MC\\_ManagedCareRateFloors\\_for\\_PrivateDutyNursing\\_and\\_PersonalCareServices-UPDATED.pdf](https://dhs.iowa.gov/sites/default/files/1578-MC_ManagedCareRateFloors_for_PrivateDutyNursing_and_PersonalCareServices-UPDATED.pdf)

of service will need to be tracked separately for Medicaid FFS, Medicaid managed care, and other payor sources such as private pay and Medicare. All costs and units for Medicaid services paid by the MCOs will continue to be considered Medicaid program costs and units for cost reporting purposes.

The Medicaid cost report establishes the total allowable cost of providing a unit of service, in accordance with 441 Iowa Administrative Code, for all individuals receiving the service. The retrospective settlement process will occur for services that are billed to and paid by the IME under Medicaid FFS and will exclude services that are billed to Medicaid managed care and other payor sources.

### **Services Provided During State Fiscal Year (SFY) 2016**

Cost reports should be submitted for the provider's full fiscal year (unless a different period is designated by rule), regardless if the IA Health Link managed care program transition occurs prior to the end of the provider's fiscal year. The IME will use Medicaid cost report information and FFS paid claims data for services provided during the cost report period in the reconciliation calculation for all applicable provider types. The cost report will also be used for updating the Medicaid FFS reimbursement rate, in accordance with 441 Iowa Administrative Code.

### **Services Provided After SFY 2016**

Until a change is directed by the legislature and/or changes are made to 441 Iowa Administrative Code, cost reports will continue to be submitted to the IME. Additionally, the retrospective cost settlement and rate setting process for Medicaid FFS will be made in accordance with applicable 441 Iowa Administrative Code for Medicaid FFS claims.

If you have any questions please contact the IME Provider Cost Audit and Rate Setting Unit at 1-866-863-8610, or email at [costaudit@dhs.state.ia.us](mailto:costaudit@dhs.state.ia.us).